

QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The Board of Directors ("**Board**") of China Jishan Holdings Limited ("**Company**", and together with its subsidiaries, the "**Group**") would like to provide the following information in response to queries from the SGX-ST regarding the unaudited financial statements of the Group for the financial period ended 31 March 2020, which was announced on 15 May 2020 ("**Previous Announcement**"):

Unless otherwise stated, all capitalised terms used herein shall have the same meaning ascribed to them in the Previous Announcement.

SGX query 1

During the prior year's comparable period ended 31 Mar 2019 ("**1Q2019**"), the company's "Other operating income" was RMB 7mil. In this quarter ended 31 Mar 2020 ("**1Q2020**"), "Other operating income" decreased significantly to RMB 4mil. The Company disclosed that the 44.4% decrease in "Other operating income" was mainly due to the lower recovery of sewage and utilities costs from lessees in 1Q2020. Noting that revenue from rental income only decreased by 6.4% in 2Q2020, as compared to 1Q2019, please explain why the 44.4% decrease in recovery of sewage and utilities from lessees was so significant, as compared to the fall in revenue.

The Company's response to query 1

As disclosed in the 1Q2020 results set out in the Previous Announcement, the Group's revenue for the period ended 1Q2020 decreased by 6.4% mainly due to renewal of new lease agreements with certain lessees who no longer required to lease the older plant and equipment.

The lower margin recovery of sewage and utilities costs from lessees was largely the result of the significant decline in lessees' business operations arising from the COVID-19 pandemic in 1Q2020.

The rental income is based on the new tenancy agreements signed which is a fixed income, whereas the margin recovery of sewage and utilities costs from lessees is dependent on the business activities of the lessees, i.e. usage of electricity, steam costs, sewage costs, etc. Hence, there is no co-relation between the two.

SGX query 2

Finance costs in 1Q2020 increased 173.1%, from RMB 5.6 mil in 1Q2019 to RMB 15.2 million in 1Q2020. The Company disclosed that the increase was mainly due to the "higher interest rates paid to the unrelated parties". Please clarify and elaborate on the following:

- (a) Identities of these unrelated parties;
- (b) Specify the interest rates in 1Q2019 as compared to 1Q2020 for each loan/ contract;
- (c) The reasons for the substantial increase in borrowings; and
- (d) The terms of repayment, interest and maturity of each loan/ contract.

The Company's response to query 2

- (a) As disclosed in the Company's announcement dated 29 April 2020, the unrelated parties are Shaoxing County Keqiao Huijin Small Loan Co., Ltd. (绍兴柯桥汇金小额贷款股份有限公司) ("**Keqiao Huijin**") and an individual lender. Please refer to the Company's announcement dated 29 April 2020 for further details relating to these parties.
- (b) The interest rates of each of the borrowings are as follows:

	1Q2020 % p.a	1Q2019 %p.a.
Keqiao Huijin	14.4% interest plus 14.4% of service fee	-
Individual lender	20.0%	-
Commercial banks	5.7%-7.8%	5.2%-9.8%

- (c) The substantial increase in borrowings is mainly due to additional borrowings from Keqiao Huijin (RMB60.0 million) and the said individual lender (RMB150.0 million). The Group was unable to obtain further loans from the banks at the relevant time as the land assets owned by the Group located in Kebei Industrial Area, Shaoxing City were frozen by the court due to the court case involving Jintumu. After the conclusion of the court case, the Company needed to pay off the deposits of RMB80.0 million and interest of RMB36.7 million to Jintumu on an urgent basis. In the circumstances, the Company had no alternative but to further borrow from these unrelated parties. The relevant land assets were subsequently unfrozen, and the Company has renewed all its previous bank loans and is currently in the process of obtaining new loans to repay these unrelated parties.
- (d) Keqiao Huijin's loan terms provide for an interest of 14.4% p.a. plus a service fee of 14.4% p.a. payable on a monthly basis, and the loan is repayable in November 2019. Subsequent to the loan tenure maturity in November 2019, Keqiao Huijin has not called for the loan repayment, and the Company is still promptly servicing the interest on a monthly basis. The loan is secured with the Kebei land assets and is guaranteed by the Company's substantial shareholder/director and his spouse.

The individual lender's loan terms provide for an interest of 20% p.a. payable on a monthly basis, and the loan is repayable in March 2020. Subsequent to the loan tenure maturity in March 2020, the lender has not called for the loan repayment, and the Company is still promptly servicing the interest on a monthly basis. The loan is secured with Kebei land assets and is guaranteed by the Company's substantial shareholder/director and his related company.

The commercial banks' loan terms provide for interest ranging from 5.7% to 7.8% p.a. payable on a monthly basis, and the loans are due for renewal between June 2020 and December 2020. The Company is promptly servicing the interest on a monthly basis. The loans are secured with the Kebei land assets, pollution quota, the Binhai factory and industrial land, and is guaranteed by the Company's substantial shareholder/director, his wife and his related company.

SGX query 3

Please provide details of "other receivables and prepayments" of RMB 9.8 million as at 31 Mar 2020. Please disclose:

- (a) The breakdown of other receivables and prepayments in 1Q2019 and 1Q2020 respectively; and
- (b) What are the payment terms of the underlying contracts.

The Company's response to query 3

- (a) The breakdown of other receivables and prepayment are as follows:

	1Q2020 RMB'000	1Q2019 RMB'000
Advance payments	712	631
Advances to staff	-	176
Due from related parties (N1)	3,335	3,335
Recoverable expenses from lessees (N2)	3,700	2,715
Loan to a third party	-	2,000
Others (miscellaneous)	2,003	1,286
Total	9,750	10,143

Notes:

N1 – The related party is an entity which is controlled by a key management personnel of the Group. The amount due from the related party is non-trade, unsecured, interest free and repayable on demand in cash. The key management personnel has undertaken to provide payment to the Group in the event that the amount is not recoverable from the related party.

N2 – The recoverable expenses from lessees mainly comprise overheads such as electricity, steam costs, water, sewage costs and other miscellaneous expenses chargeable to lessees during the period.

- (b) Please refer to notes in our response to query 3(a) above.

SGX query 4A

Please provide breakdown of "trade payables" of RMB 10.7mil in 1Q2020.

The Company's response to query 4A

The breakdown of "trade payables" are as follows:

	1Q2020 RMB'million
浙江龙德环保热电有限公司 ("Zhejiang Longde")(N1)	7.1
Other miscellaneous *	3.6
Total	10.7

Notes:

N1 – this is related to the steam costs to be paid by the Company for operating the factories for the lessees' print and dye business.

N2 – this is made up of miscellaneous individual payables

SGX query 4B

Explain why trade payables was so significant when the Company recorded revenue of only RMB 8.8 mil in 1Q2020.

The Company's response to query 4B

The significant trade payables is mainly due to the payable of steam cost to Zhejiang Longde mentioned in our response to query 4A above. Steam power is essential to the lessees in running their print and dye business and its costs will be recovered from the lessees as part of the margin on recovery of sewage and utilities costs. Therefore, it is dependent on the business operations of the lessees instead of the rental collected by the Group.

SGX query 5

The Company disclosed that "other payables" increased by RMB18.3 million, mainly due to "receipt of rental advance from certain lessees of RMB14.0 million and short term advance from a related company of RMB4.2 million".

- (a) Please disclose the breakdown of "other payables" in comparison with the previous comparative period in 1Q2019;
- (b) Explain why rental advance amounted to RMB 14.0 million when revenue for 1Q2020 amounted to only RMB 8.8 million;
- (c) Disclose the reasons for the substantial increase in other payables of RMB 18.3mil when revenue fell by RMB 600k in 1Q2020; and
- (d) To provide details of the short term advance of RMB 4.2mil, the reasons for the advance, the use of proceeds and the identity of the related person.

The Company's response to query 5

- (a) The breakdown of "other payables" is as follows:

	1Q2020 RMB'million	1Q2019 RMB'million
Deposits for Proposed Disposal(N1)	-	80.0
Payables for land conversion fee(N2)	22.7	22.7
Advances collected from lessees	18.8	-
Lease deposits held from lessees(N3)	17.0	17.0
Accrued legal fees for legal claims(N4)	7.3	-
Short term advance from a related company	4.2	-
Accrued expenses	4.0	3.0
Payables for property, plant and equipment	3.9	2.0
Interest payable	2.1	0.7
Other taxes payables	1.5	0.7
Total	81.5	126.1

Notes:

N1 – The Group received the upfront deposit of RMB80.0 million when the Group entered into a conditional share transfer agreement with Jintumu in December 2016 for the disposal of the entire equity interest of Yuesheng. The deposit has been repaid during 2019.

N2 – The payable for the land conversion fee mainly pertains to the outstanding balance payable to local government for the land conversion fee incurred during the previous year when the Group converted the title of the Kebei land assets from industrial to commercial and residential lands.

N3 – These are related to security deposits held by the Group when the lessees entered into leasing agreements with the Group.

N4 – The legal fees are related to outstanding legal fees related to the court case with Jintumu payable to PRC lawyers.

- (b) We have negotiated with certain lessees to collect half-year to one-year rental in advance to reduce the risks in view of the COVID-19 pandemic. The advances collected from the lessees also include advances collected from lessees on margin recovery on sewage and utilities costs
- (c) The increase in other payables is mainly due to increase in advances collected from lessees as explained in (b) above and the short-term advance from a related party of RMB4.2 million. There is no direct correlation between the other payables and the rental income in this instance.

- (d) The short-term advance from a related party is interest free, repayable on demand and is used for the Company's working capital purposes. It has been repaid in April 2020. The related party is 绍兴稽山进出口有限公司 (Shaoxing Jishan Import and Export Pte Ltd).

SGX query 6

In the Statement of Cash Flow, the Company recorded an "interest expense" of RMB 15.2 mil in 1Q2020, as compared to RMB 5.6mil in 1Q2019. Provide reasons for the significant increase in "Interest expenses" from RMB 5.6 mil in 1Q2019 to RMB 15.2 mil in 1Q2020. Who are the creditors relating to this significant interest expense of RMB 15.2 million for 3 months?

The Company's response to query 6

The significant increase in "interest expenses" from RMB5.6 million in 1Q2019 to RMB15.2 million in 1Q2020 is mainly due to the increase in borrowings from Keqiao Huijin and the individual lender of RMB210.0 million as compared with the prior corresponding period. Please refer to our response to query 2(b) above for the interest rates. The interest incurred during the period for Keqiao Huijin is RMB4.3 million (1Q2019 – Nil), the individual lender is RMB5.9 million (1Q2019 – Nil) and the commercial banks is RMB4.9 million (1Q2019 – RMB5.6 million).

The creditors relating to this significant increase are Keqiao Huijin and the individual lender.

SGX query 7

The Company also disclosed the purchase of PPE and investment property amounting to RMB 12.4mil in 1Q2020. Please provide details and breakdown of the PPE/investment property acquired

The Company's response to query 7

The PPE/investment properties are related to the addition of new factory building in Binhai industrial zone during the period.

SGX query 8

We note that the Company's Group revenue consists of rental income with no business operations. A Company with no significant operating businesses will be deemed a "cash company" under Listing Rule 1018(1). A cash company must place 90% of its cash in escrow and suspend trading. Please comply accordingly.

The Company's response to query 8

The Company is of the view that it should not be deemed as a "cash company" under Listing Rule 1018 for the following reasons:

- (a) The Company's assets do not comprise wholly or substantially of cash or short dated securities. Based on the latest announced financial statements of the Company set out in the Company's announcement on 15 May 2020, the Company also owns other assets, including property, plant and equipment of RMB68.7 million, investment property of RMB203.5 million, and development properties held for sale of RMB459.6 million, which together constitute substantially the Group's total assets.
- (b) Additionally, the current operations of the Company comprise leasing operations, which have been generating stable, recurring, and substantial rental revenue for the Company since FY2015. The Company's rental income for FY2019, FY2018 and FY2017 were RMB37.7 million, RMB37.7 million and RMB35.0 million respectively.

The Group intends to commence development of the Group's land assets located in Kebei Industrial Area, Shaoxing City into residential and commercial project when the final approval from the relevant governmental authorities is obtained. The Company expects this to provide the Group with a new revenue stream. We will make relevant announcements as and when appropriate.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

5 June 2020